



STATE OF ARIZONA

JANICE K. BREWER  
GOVERNOR

EXECUTIVE OFFICE

December 23, 2009

The Honorable Robert Burns  
President  
Arizona State Senate  
1700 West Washington Street  
Phoenix, Arizona 85007

The Honorable Kirk Adams  
Speaker  
Arizona House of Representatives  
1700 West Washington Street  
Phoenix, Arizona 85007

Re: Senate Bill 1001 (2009-2010; general appropriation reductions; transfers)

Dear President Burns and Speaker Adams:

Today I signed Senate Bill 1001 (2009-2010; general appropriation reductions; transfers) from the Fifth Special Session into law despite concerns I have with some provisions contained within the legislation. While I applaud your diligent work and effort -- and that of your colleagues -- in trimming approximately \$200 million more from the budget deficit, much more work remains to be accomplished. As you are well aware, the budget deficit for fiscal year 2010 is estimated at \$1.5 billion and there are only six months left in the fiscal year. Further, the deficit for fiscal year 2011, as of this writing, is projected at \$3.4 billion. Clearly, we have an arduous journey ahead of us. However, I believe we are up to the task and look forward to working with you and your colleagues on the development and adoption of realistic, responsible and timely budget solutions.

Senate Bill 1001 gives broad authority to the Executive on how to implement these budget reductions. You will recall that several months ago I instructed agency directors to prepare and publish roadmaps for implementing a 15 percent budget reduction to ensure that legislators and stakeholders would understand the implications of such reductions. With the passage of Senate Bill 1001, we are proceeding with the implementation of portions of those roadmaps and other proposals.

While the legislation is not perfect, and its implementation will create many hardships, we must move forward on these very difficult actions. Given the extent of the shortfall and the limited time left in the year, it was important to sign the bill without any line item vetoes. However, I strongly encourage the Arizona Legislature to revisit some of the provisions it contains. Because we anticipated additional budget reductions, the Department of Revenue will be able to implement this reduction without impacting FY 2010 revenue collections. However, beginning in FY 2011, we must restore funds to the Department of Revenue to ensure that state revenues are collected fairly and promptly.

The Honorable Robert Burns, President  
The Honorable Kirk Adams, Speaker  
December 23, 2009  
Page 2 of 3

At the start of FY 2010 we invested funds into revenue collection that have returned more than 13 times the cost of investment. Because of our precarious revenue position and the clear evidence that continued reductions to the Department of Revenue would jeopardize revenues, I will no longer accept budget reductions to this Department and, in fact, will be proposing additional investments in the new fiscal year.

I appreciate the provision of the bill that suggests agency directors may implement an employee salary reduction to meet designated budget reduction amounts. However, because of the State merit system and the fundamental need to fairly implement pay reductions, I believe either specific legislation regarding pay reductions or a rule-making process will first be necessary for implementation. Accordingly, since a statutory change that clearly and quickly implements a statewide pay reduction will be the fairest and quickest process, I have directed the Arizona Department of Administration to draft language on the matter for inclusion in legislation. I believe after discussing the matter further with you, we will all agree to quick and early action.

I am also concerned about the public safety consequences of reductions to the Arizona Attorney General's Office. In addition, components of this budget have federal participation implications, which will result in the State having to reimburse the federal government for their portion of involvement with the applicable funds. My office will work with the Attorney General to see if reductions to this fund can be transferred from other funds within his office.

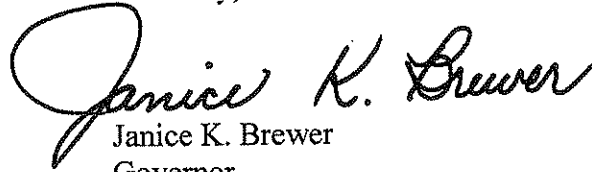
I am also concerned that some may not have fully understood the implications of the budget reductions. For example, the reduction to the Arizona Department of Commerce will negatively impact the creation of high wage jobs, as well as the agency's upcoming reorganization, both of which are critical to Arizona's economic recovery. Moreover, reductions to Arizona State Parks are likely to lead to the closure of some, if not all, of the State parks; and the cut to the Arizona Exposition and State Fair could result in the inability to conduct a State Fair in fiscal year 2011. The full list of implications is lengthy, but regrettably, these unfortunate actions must be taken and their corresponding human and economic impacts will be felt throughout our state. As we move forward on additional solutions to our budget crisis, it is imperative that both our legislative body and the public understand the impacts of our decisions.

To that end, our interactions must become more inclusive, collaborative and transparent. I certainly understand the challenging dynamics involved with crafting legislation, securing votes for passage, and the need to oftentimes do so expeditiously. However, we must stop drafting budget bills in a vacuum, which often leads to unintended consequences. Many of my aforementioned concerns could have been resolved if the Executive were permitted greater participation in the drafting process. Moving forward, I would hope that my staff has greater participation in the drafting of budget bills, ideally from a bill's infancy to its ultimate introduction.

The Honorable Robert Burns, President  
The Honorable Kirk Adams, Speaker  
December 23, 2009  
Page 3 of 3

Again, I greatly appreciate the dedication and prompt effort invested in trimming approximately \$200 million from the budget deficit. Much remains undone, and we have a long and difficult road ahead. We must set aside political differences and personal interest and collaborate on the development and approval of realistic, responsible and timely budget solutions.

Sincerely,



Janice K. Brewer  
Governor

cc: The Honorable Ken Bennett, Secretary of State  
The Honorable Chuck Gray, Arizona State Senate  
The Honorable Steve Pierce, Arizona State Senate  
The Honorable Russell Pearce, Arizona State Senate  
The Honorable Barbara Leff, Arizona State Senate  
The Honorable John McComish, Arizona House of Representatives  
The Honorable Andy Tobin, Arizona House of Representatives  
The Honorable John Kavanagh, Arizona House of Representatives  
The Honorable Steven Yarbrough, Arizona House of Representatives